

3103 - 79TH STREET • LUBBOCK, TEXAS 79423 • 806/745-4638

July 15, 1996

Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505-5472

Re: Fox A State No. 5-F
Sec 2, T9S, R36E
Lea County, New Mexico

Gentlemen:

Attached are our application Forms C-101 and C-102 requesting authority for a short, high angle whipstock operation.

This well was originally drilled in 1991 to test the Devonian zone. The well tested 100% water and was shut in. Subsequent study dictated a workover attempt. During 1995 the well was reworked by attempting to squeeze off the bottom water zone and re-perforating the upper Devonian. A fair show of oil was obtained but could not be sustained due to recurring breakthrough of the lower water zone and apparent inability to squeeze it off.

The well was then plugged back and completed to test the Bough "C" zone in the Allison Penn Field. This zone proved to be non-commercial and has been squeezed off preparatory for drilling out the plug-back and re-testing the Devonian.

We are of the opinion that this well bore penetrated too deep in the Devonian zone and encountered vertical fracturing, faulting, massive bottom hole porosity, or a combination to the extent it is not possible to isolate the bottom water.

It is our intent to isolate the existing well bore and perfs by setting a retainer above the Devonian zone and squeezing with 300-500 sacks of cement. We will then cut a window in the casing, 80 feet above the Devonian and effect a high angle lateral drilling operation to penetrate the Devonian 100 to 200 feet laterally from the present well bore and limit vertical penetration in the Devonian to 30 feet. The operation will be controlled by running a bottom hole directional survey prior to beginning and the use of directional steering equipment during the drilling.

The Fox "A" State Lease is comprised of all of Section 2 covering 640 acres. Both the current and proposed well bores are within the 40 acre proration unit and all adjoining proration units are within the lease boundary. Layton Enterprises, Inc. owns 100% working interest as to all depths.

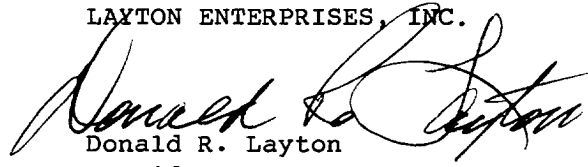
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We have justified this project economically based on our discovery well for the Allison Devonian Pool one mile east which was completed in January 1996.

Your consideration for administrative approval is requested.

Very truly yours,

LAYTON ENTERPRISES, INC.



Donald R. Layton
President

DRL/bwl